



PRIME MINISTER

NON-INDUSTRIAL CIVIL SERVICE PAY

I have seen Nigel Lawson's minute to you of 23 July.

Whether or not the Civil Service Unions accepted the revised offer which he suggests, there must be a strong probability that the Government's readiness in principle to move to secure a settlement would become known in wider Trade Union circles. At the very least it could be expected to become known to the Government Industrial Unions, which also negotiate for NHS staff. The consequences of this would be profoundly damaging for our position in respect of the NHS non-Review Body groups.

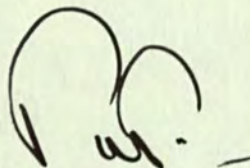
We have reached provisional agreements with most of the main groups at the 4.5 per cent figure authorised by colleagues. Each of these agreements is subject to consultation within the unions concerned, without a recommendation but on the basis that the negotiators are satisfied that this is management's final offer and the best that can be achieved by negotiation this year. The indications are that, as matters stand, the offers will be accepted, although some individual unions are not happy. We expect to reach agreements on a similar basis with other groups in the next week or two. There are more difficult negotiations in prospect with maintenance and ambulance staff, where our chances of success are likely to depend critically on translating the provisional agreements for other NHS groups into settlements.

The leading settlement - the ancillary workers - will not be ratified until 10 August and the others will take at least as long. The timing of the maintenance and ambulance staff's negotiations is uncertain, but the latter in particular could be protracted and the staff themselves, virtually alone in the NHS, are making militant noises.

Whether or not the Government's offer to the Civil Service has been described as final, it is widely regarded as being so. If it is improved in any way, the message for the NHS Unions will be clear: refusal to settle pays. I think there is a very real risk, to put it no higher, that an improved Civil Service offer made before our settlements are formally ratified - and that certainly means within the next six weeks - would, if it became known, lead to rejection of some or all of the NHS offers, with all the consequences and difficult choices which would flow from that. There are also implications for future negotiations, not only, I would have thought, in the NHS.

NHS implications apart, I am very doubtful about the wisdom of buying time by increasing an offer to a level which cannot be expected to produce agreement. I would ask that there should be an opportunity for discussion amongst colleagues before Nigel proceeds as he suggests.

I am copying this minute to other members of MISC 66, to the Secretaries of State for the Environment and Education and Science, to the Attorney General and to Sir Robert Armstrong.



N F

^{HR.}
24 July 1984

Civil Service Pay Pt 14

25 JUL 1984

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Prime Minister ⁽²⁾ a Att 32

A number of colleagues were unhappy about the Chancellor's tactic of making a small increase in the offer to keep negotiations in play. They felt it undermined the "final" offers in a number of other areas. Chancellor has agreed to reconsider.

Treasury Chambers, Parliament Street, SW1P 3AG
OF-233 3000

27 July 1984

AT 30/7

The Rt Hon Norman Fowler MP
Secretary of State for Social Services

NON-INDUSTRIAL CIVIL SERVICE PAY

I have seen a copy of your minute to the Prime Minister of 24 July.

I appreciate your concern that a revised offer to the non-industrial Civil Service should not disturb the delicate NHS negotiations, and had it not been for Glidewell, I should by now have been pressing home the current offer on the lines we agreed in Cabinet on 5 July. But the Glidewell ruling has introduced a possible complexity which we cannot ignore, and for this reason, I think our best tactic is to play the negotiations long until the position is clearer. It is difficult for us to do this without introducing some new element but in view of what you have said, I have asked my officials to make no increase in the offer for the present. However, we clearly need urgent legal advice and I therefore hope we can have the Attorney's views by early next week. We can then, if necessary, meet as you suggest, to consider the way forward.

I am copying this letter to the Prime Minister, to the other members of MISC 66, the Secretaries of State for Environment and Education and Science, the Attorney General and to Sir Robert Armstrong.

NIGEL LAWSON

Civil Service: Pay 14

11 12 1 2 3 4 5 6 7 8 9 10

27 JUL 1984

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MSPN

CCNO

AT 27/17

SECRET

PRIME MINISTER

NON-INDUSTRIAL CIVIL SERVICE PAY

1. I have seen the minutes you have recently received from the Chancellor and the Secretary of State for Social Services.
2. It seems to me important that we should do nothing in relation to civil service pay that will make it more difficult to achieve the settlements at 4.5% which Norman says now appear possible within the NHS. Apart from the points Norman makes - to which I attach importance - we should also recognise that any negotiated settlements at 4.5% within the NHS in advance of the teachers' arbitration hearings would be very helpful in that context.
3. Copies of this minute go to members of MISC 66, to the Secretary of State for the Environment, to the Attorney General and to Sir Robert Armstrong.

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27 July 1984.

SECRET

Curt Sarree PT14

Ray

27 JUL 1984

SECRET

CC 30
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NBM
AD 26/7

Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213.....

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The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Great George Street
LONDON SW1

26 July 1984

Nigel

NON-INDUSTRIAL CIVIL SERVICE PAY

You copied to me your minute of 23 July to the Prime Minister. I agree that the Law Officers' views should be invited on our previously agreed course of action in the light of the Glidewell judgement. The main questions are both the handling of a refusal of arbitration and the imposition of a final offer, but I am in no doubt that we must seek to avoid an accusation that we acted without consultation. At the same time we need to be clear that the refusal of arbitration "on grounds of policy" is, if necessary, defensible. My officials are consulting yours on the framing of the necessary submission.

I have now had a chance to see Norman Fowler's minute of 24 July to the Prime Minister. I must say that I find compelling his arguments against making a further offer to the civil service unions and agree with him that there is a strong case for standing on the present offer.

I am sending copies of this letter to the Prime Minister, to other members of MISC 66, to the Secretaries of State for the Environment and Education and Science, to the Attorney General and to Sir Robert Armstrong.

Lawson

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SECRET

CIVIL SERVICE: Pay = Penny



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David Peretz Esq
Private Secretary to
the Chancellor of
the Exchequer
HM Treasury
Great George Street
LONDON SW1

34
7/8
7th August 1984

Dear David,

NON-INDUSTRIAL CIVIL SERVICE PAY

with my My Secretary of State has seen your letter to David Normington of 6 August. He is content with the course the Chancellor now proposes to take. If the unions in due course table terms of reference for arbitration my Secretary of State will of course be in touch with the Chancellor as to how their request should be handled.

Copies of this letter go to the private secretaries to the Prime Minister, other members of MISC 66, the Secretaries of State for Education and Science, and the Environment, the Attorney General and Sir Robert Armstrong.

Yours sincerely,

Peter Smith,

PETER SMITH
Private Secretary

CIVIL SERVICE : Pam #44

898
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7-71



Treasury Chambers, Parliament Street SW1P 3AG
01-233 3000

6 August 1984

David Normington Esq
Private Secretary to the
Secretary of State for Employment

Dear David

NON-INDUSTRIAL CIVIL SERVICE PAY

The Chancellor has seen the Attorney General's advice on the points set out in the Chancellor's minute to the Prime Minister of 23 July.

As your Secretary of State will know, the Attorney General advises that there will be no significant risk of a successful action against the refusal by the Secretary of State for Employment to refer the Civil Service pay claim to arbitration, or the decision by the Treasury to implement a pay increase unilaterally, provided that in each case the unions are given a reasonable chance to make fresh representations before the decision crystallises. He goes on to say that as part of the process of consultation the Secretary of State should articulate the "grounds of policy" which justify a refusal to refer the pay claim to arbitration and thus given the unions an opportunity to comment on their adequacy. Today's Court of Appeal judgement in the GCHQ case does not, we are advised, affect any of this.

None of it means, of course, that the unions could not seek to embarrass the Government with legal action, even if unsuccessful. But the Chancellor believes that we should now proceed on the lines agreed in MISC 66 on 4 July and endorsed by the Cabinet on 5 July. Accordingly Treasury officials will tell the Civil Service unions tomorrow that the Chancellor has carefully considered the points put to him when he met them, but has concluded that the Government has to stand by the offer made on 31 May, worth 4.55 per cent on the 1984 pay bill.

Following the meeting it is probable that the unions will table terms of reference for arbitration. Thereafter we cannot dictate the timing, and there will be need for consultation. However, we shall make it clear that we stand ready to implement the offer. It is likely that there will be industrial action of some kind before matters are resolved, perhaps particularly among computer operators, but we do not expect such action to be widespread or sustained. We shall, of course, keep you in close touch with developments.

I am copying this to the private secretaries to the Prime Minister, other members of MISC 66, the Secretaries of State for Education and Science and the Environment, the Attorney General and Sir Robert Armstrong.

Yours ever,
David

D L C PERETZ
Principal Private Secretary

CS Pay

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CC No

Prime Minister

To note that Chancellor proposes to resubmit existing offer to the union side

AT

6/8

CS: Pay: R- 14

6 AUG 1984

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15/8

H. M. TREASURY

Parliament Street, London SW1P 3AG, Press Office: 01-233 3415
Telex: 262405

15 August 1984

NON-INDUSTRIAL CIVIL SERVANTS' PAY 1984

In the absence of the Chancellor of the Exchequer representatives of the Council of Civil Service Unions today (August 15) saw Treasury Minister of State Mr Barney Hayhoe. Mr Hayhoe confirmed that the pay offer of 31 May could not be further improved. It was a fair offer and was the limit of what was affordable.

Successive governments had consistently and publicly reserved the right on policy grounds to refuse to go to arbitration. The unions had already been told that this year on public expenditure grounds the Government was minded to exercise this right. However, what the unions had said would be very carefully considered and a reply would be given as soon as possible.

The Government remains concerned that it is now over four months beyond the due date for the payment of this year's increases and hopes that in consultation with the unions matters can be brought to an early conclusion so that staff could have their money.

PRESS OFFICE
H M TREASURY
PARLIAMENT STREET
LONDON SW1P 3AG
01 233 3415

145/84

NOTE TO EDITORS

The offer made comprised increases of 5 per cent for staff on flat rates and scale maxima and 4 per cent for staff on other scale points, plus an underpinning minimum increase of £3 per week for full-time staff aged 18 and over and an increase of 4 per cent in most pay related allowances, all from 1 April 1984; increase in rate of London Weighting by 4 per cent from 1 October 1984; and rationalisation of scale points at executive officer and clerical officer levels completed from 1 January 1985. This offer would add just under 4.55 per cent to the 1984-85 paybill.